

Medicare Prescription Drug Coverage

“General Information about Standard Benefits”



A Question and Answer Guide Produced by the CHOICES Program

On January 1, 2006, Medicare will start a new program to pay for prescription drugs for everyone who has Medicare Part A or Part B. This Guide will give you information about the new program and help you decide whether you want to enroll.

IMPORTANT: If you have Medicaid (Title 19), a Medicare Savings Program (QMB, SLMB, or ALMB), or ConnPACE, please ask your CHOICES counselor for the special Q&A Guides that describe how these programs work with the new Medicare program. If you want to know about getting Extra Help to pay for Medicare prescription drug coverage, ask for the “Extra Help” Q&A Guide.

1. What is Medicare prescription drug coverage? Medicare prescription drug coverage is a new program that will pay for prescription drugs, insulin and insulin supplies, and “stop-smoking” drugs for people who have Medicare. It will start on January 1, 2006. It’s also known as “Medicare Rx” and “Medicare Part D.”

Medicare won’t administer the new program directly. Instead, it will contract with private companies to provide the coverage. In Connecticut, there are 17 stand-alone Prescription Drug Plans (PDPs), and four Medicare Advantage plans (HMO or PPO) that offer Medicare prescription drug coverage. Most of these companies, in turn, offer several plans with different levels of coverage and costs. In addition, some employers may “wrap around” the new program to offer coverage through their retirement health plans.

You will need to enroll in one of these plans to have Medicare prescription drug coverage. The plan you join will give you a member card that you can use at your local retail pharmacy. Some plans will also allow members to get their prescriptions through the mail.

2. Do I have to apply for Medicare prescription drug coverage or will I get it automatically because I’m on Medicare? Most people will need to take action and enroll in a plan to get Medicare prescription drug coverage. (But if you are on ConnPACE, Medicaid (Title 19), or Supplemental Security Income (SSI), or if the State pays your Part B premiums through a Medicare Savings

Program (QMB, SLMB or ALMB), you will be automatically enrolled into a Medicare prescription drug plan if you do not select a plan on your own.)

3. What drugs will Medicare cover? Each Medicare prescription drug plan will offer its own selection of covered drugs, called a “formulary.” Formularies will vary from plan to plan. *Before deciding on a plan you should carefully review its formulary to be sure that it covers all of the medications that you take.*

Medicare will cover most outpatient prescription drugs, insulin and insulin supplies, and “stop-smoking” drugs. Medicare-approved plans will offer a choice of at least two drugs in each of 146 categories of drugs. Each Medicare-approved plan will also include in its formulary all drugs in the following six categories of drugs: anti-depressants, anti-psychotics, anti-convulsants, anti-cancer, immuno-suppressants and HIV/AIDS.

Some drugs are excluded, i.e., Medicare won’t cover them. These include barbiturates, benzodiazepines, drugs for weight loss or gain, over-the-counter drugs and drugs that are covered by Medicare Part A or Part B. *(NOTE: a few plans may cover some of the excluded drugs as a supplemental benefit for additional cost. Also, Medicaid and ConnPACE will cover some of these drugs for their members.)*

4. How does the Medicare prescription drug “standard benefit” work? You may pay a monthly premium. The premium can be deducted from your Social Security check, or the plan can debit your bank account each month, or you can pay the plan directly.

Premiums in Connecticut range from less than \$8/month to a high of about \$65/month. Most monthly premiums are under \$40. Some plans have annual deductibles and all plans have co-pays or co-insurance (amounts you are responsible to pay for each prescription). Most plans have “tiered” co-pays, i.e., the co-pay amount varies with the type of drug. *NOTE: People with limited income and assets may qualify for Extra Help to pay for premiums, deductibles, co-pays and co-insurance. Ask your CHOICES counselor for the “Extra Help” Q&A Guide.*

Different plans offer different benefits, but in general the standard benefit will work as follows.

- There may be an annual deductible. In 2006, the deductible cannot exceed \$250 per year. Some plans do not have any deductible and others have a reduced deductible. If your plan has a deductible you will need to pay this amount before your coverage begins.

- After you have met your deductible, you enter the “Initial Benefit Period.” Medicare pays 75% of each prescription and you pay 25% for the next \$2,000 in drug costs. The most you will pay during the Initial Benefit Period is **\$500** (25% of \$2,000).
- The next period is a coverage gap sometimes called the “donut hole.” If your chosen plan has a coverage gap, you will pay 100% of all prescriptions until you have spent another **\$2,850** out-of-pocket. (A few plans pay for drugs during the coverage gap.)
- Once you have spent a total of **\$3,600 (\$250 + \$500 + \$2,850)** in allowable “true out-of-pocket costs,” (“TrOOP”) you will be eligible for “Catastrophic Coverage.” For the remainder of the year, Medicare will pay 95% of your prescription drug costs and you will pay only 5% of each prescription, or a \$2 or \$5 co-pay, whichever is greater.

IMPORTANT! *Different plans offer variations around this standard benefit. For example, about half the plans have zero deductibles. Also, a small number of plans offer some coverage during the donut hole.*

5. What are allowable out-of-pocket costs? As described above, once you have spent \$3,600 in allowable out-of-pocket costs, you will have met your TrOOP requirement and you will qualify for Catastrophic Coverage. For the rest of the year, Medicare will pay 95% of your prescription drug costs. **It is important to know that only certain payments count toward meeting the \$3,600 TrOOP requirement.**

Payments that you make (or payments made by your family or by a charitable group) for drugs that are on your plan’s formulary count toward meeting the \$3,600. (For ConnPACE members, payments made by ConnPACE, in addition to payments made by the ConnPACE member, also count toward the \$3,600.)

Premium payments, payments made by Medicare or other insurance, payments made for drugs that are not on your plan’s formulary, and payments for drugs purchased in Canada, do NOT count toward the \$3,600 TrOOP requirement.

6. Can I get help to pay for Medicare prescription drug coverage? If your countable income is below \$14,355 (single) or \$19,245 (couple), and your countable assets (not including your house, car or certain types of savings) are below \$10,000 (single) or \$20,000 (couple), you may qualify for

Extra Help to pay for Medicare prescription drug coverage – up to \$2,100 in Extra Help. This Extra Help will take the form of reduced premiums, deductibles and co-pays.

This summer, some people received an application for Extra Help in the mail from the Social Security Administration (SSA). ***If you didn't get an application but think you may qualify for Extra Help, call SSA at 1-800-772-1213.*** TTY users should call 1-800-325-0778. You can also visit www.socialsecurity.gov on the web, or you can call CHOICES (1-800-994-9422) for assistance.

Important! You didn't receive an Extra Help application if you were on Medicaid, SSI, or a Medicare Savings Program. That's because you automatically qualify for Extra Help and did not need to apply. Medicare will enroll you in the Extra Help and will send you a letter explaining the benefits that you will receive. For more information please contact CHOICES at 1-800-994-9422.

7. What if the cost of Medicare prescription drug coverage is more than I pay now for prescription drugs? If you now take only a small number of medications, or you have another form of prescription insurance, your current costs may be less than they would be under the standard Medicare prescription drug benefit. You still need to consider Medicare prescription drug coverage because:

- Your existing prescription insurance may change or cease to offer drug coverage once the Medicare prescription drug program begins.
- You may need additional, more expensive medications in the future.
- You may have to pay a higher premium if you don't enroll when you are first eligible.
- You may also have a waiting period for coverage if you don't enroll when you are first eligible.

8. When will I pay a higher premium? If you don't have any prescription insurance, or if your insurance is not "creditable" (meaning your coverage is, on average, not as good as Medicare prescription drug coverage), you will pay higher premium amounts if you enroll after the initial open enrollment period. Your premium will be 1% higher for each month you could have enrolled in a Medicare prescription drug plan but did not. The 1% penalty is based on the national average monthly premium and it is a lifetime penalty. For example, if the national average premium is \$30 per month, and you wait 8 months to join a plan, your penalty would be \$2.40 each month (.01 x \$30 x 8 months). This amount would be added permanently to the premium of your chosen plan.

If you decline Medicare prescription drug coverage because you have existing insurance that offers "creditable coverage" you will not have to pay a higher premium if you decide not to enroll right away.

However, if you lose that creditable coverage you must select and enroll in a Medicare prescription drug plan within 63 days in order to avoid a higher premium and a possible waiting period for coverage.

This fall, all insurers, including employer or union sponsored retirement health plans, will send notices to their members indicating whether their coverage is creditable. **Note:** Most “Medigap” policies are NOT considered creditable. VA, TRICARE, Federal Employee Health Benefits (FEHB), and State of Connecticut retiree policies are considered creditable.

9. When can I enroll in a Medicare prescription drug plan? You can enroll during the initial enrollment period of November 15, 2005 – May 15, 2006.

If you enroll before December 31, 2005, coverage will begin on January 1, 2006. If you enroll on or after January 1, 2006, coverage will begin on the first day of the following month. For example, if you apply in January of 2006 coverage will begin on February 1, 2006.

10. Can I change plans? Yes, under these circumstances:

- If you enroll in a PDP before December 31, you can change as many times as you wish up to December 31, 2005. Between January 1 and May 15, 2006, you may change one time. For the rest of 2006, and in future years, you may change only during the annual open enrollment period (November 15th - December 31st of each year).
- If you enroll in a Medicare Advantage (HMO or PPO) you can change one time between January 1 – June 1, 2006. In future years you can change one time between January 1 – March 31 of each year.

NOTE: People on Medicaid or a Medicare Savings Program (QMB, SLMB or ALMB) can switch more often. Ask CHOICES for more information.

11. How do I choose a Medicare prescription drug plan? Between now and November 15, 2005 you will receive information from many sources, including Medicare and various plans that will offer coverage in your area. You need to study this information and ask the following questions at a minimum:

- Do you live in the plan’s service area?
- How much is the monthly premium?

- Are the medications that you take now offered on the plan's selection of drugs?
- Are there different co-pay amounts for different drugs?
- Is the plan accepted at the retail or mail order pharmacy that you use?

If you spend part of the year in another state, you may want to consider one of the national plans with a wider preferred provider network.

12. What if I have other prescription drug insurance?

- If you have a Medicare Prescription Drug Discount Card you can use it right up to the time you enroll in a plan. It will automatically expire the day before your Medicare prescription drug coverage begins, or May 15, 2006, whichever comes first. You don't need to do anything to cancel it.
- If you have a Medigap supplemental insurance plan, or if you belong to a Medicare Advantage Plan (a Medicare HMO or PPO), the plan will send you a Notice of Creditable Coverage and will tell you what will happen to your coverage when the Medicare prescription drug program begins on January 1, 2006.
- If you have VA or TRICARE (military insurance), or if you have coverage through an employer or union, you will also receive a Notice of Creditable Coverage. Your plan will tell you whether it is creditable and how it may coordinate benefits with the new Medicare prescription drug benefit.
- If you are on Medicaid, SSI, or a Medicare Savings Program (QMB, SLMB or ALMB), Medicare will become the primary payer for your prescription drugs. You will receive information from Medicare that will tell you how the Medicare prescription drug benefit will work for you. You will be automatically enrolled for Extra Help. Also, if you do not select a Medicare prescription drug plan, one will be selected for you. Ask CHOICES for more information.
- If you are on ConnPACE, Medicare will become the primary payer for your prescription drugs. You will still have ConnPACE, but you will be required to apply for the Medicare prescription drug program so that ConnPACE can coordinate your benefits with Medicare. If your income is above \$14,355 (single) or \$19,245 (couple), you will also be required to apply for the Extra Help. You will receive more information about this directly from ConnPACE. Or you can ask CHOICES.

13. What happens next?

- This fall (2005) you will receive a notice from your present insurance carrier telling you whether your existing coverage is considered creditable. (Call your Benefits Administrator if you don't get this notice.) *Be sure to SAVE this notice in case you don't enroll before May 15, 2006 and then decide you want to enroll later on!*
- This fall (2005) you will also receive the "Medicare & You 2006" handbook from Medicare. It will include the names of plans available in your area.
- Starting October 13, 2005, you can compare plans on-line and see what drugs are covered by each plan by going to Medicare's website and logging on to their "Plan Finder" tool.
- Beginning in October 2005, you may receive information and application materials from various plans that will be offering coverage in your area. Study these carefully, ask a lot of questions, and feel free to contact CHOICES (1-800-994-9422) if you need help to find a plan that meets your needs.
- Between November 15, 2005 – May 15, 2006 you will be able to select a Medicare prescription drug plan. If you enroll in November or December, your new coverage will begin on January 1, 2006. Starting November 15, you can actually enroll in a plan on-line using the same Plan Finder tool described above.

14. Where can I get more information? Call **CHOICES at 1-800-994-9422** to speak to a counselor at the Area Agency on Aging serving your area of the state. CHOICES counselors are trained and certified to assist you with your Medicare issues and concerns. They can also help with comparing and enrolling in a Medicare prescription drug plan and getting Extra Help to pay for your premiums, deductibles, and co-pays.

You can also get more information from these on-line sources:

- **CHOICES:** <http://www.medicareadvocacy.org/CHOICES/ChoicesHome.htm>
- **Medicare:** www.medicare.gov
- **Social Security:** www.socialsecurity.gov
- **Center for Medicare Advocacy:** www.medicareadvocacy.org
- **Department of Social Services, Aging Services Division:** www.ctelderlyservices.state.ct.us

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This publication is not a legal document. The official Medicare provisions are contained in the relevant laws, regulations and rulings. This information is available in alternative formats. Call 1-800-994-9422. TDD/TTY users call 1-800-842-4524.